

MURRAY CITY MUNICIPAL COUNCIL

“What Your Tax Dollars Buy in Murray”

Part Two

This is the second in a series of articles by the Murray City Council relating to how your tax dollars are utilized in Murray City. The objective of these articles is to inform the citizens about municipal government and taxation.

Last month's article concluded with the question: “Can you name the taxes that support Murray City's government services?” This article will address the taxes that fund city services.

Murray City derives its funding from three major sources: 1. sales tax (39%); 2. property tax (15%); and 3. various franchise taxes, fees for services, licenses and permits, fines, other governmental grants, etc. (46%).

As Dan Jones' survey illustrates, most citizens are aware that property taxes fund municipal government. The surprise to most residents is how little of their property taxes go to the city. Did you know that only 12% of the property taxes you pay go to Murray City? The majority go to the school district (56%) and the county (22%). The remaining 10% is paid to special service districts and libraries. Did you know that the last time Murray City increased property taxes was in 1986...20 years ago? Further, Murray City has a 25% larger population and 30% more geographic area than it had in 1986? In other words, Murray has provided more services over time, without increasing taxes. How many commodities can you buy today at the same price you bought them in 1986?

While sales tax is the most volatile tax, fluctuating with the economy, it is the tax that Utah municipalities tend to rely on most. According to Dan Jones' survey, property taxes are the most objectionable, while sales tax is the least objectionable. With that in mind, it is understandable that elected officials tend to shy away from raising property tax, while sales tax continues to rise. Utah's property taxes are the 14th lowest, while sales tax is the ninth highest in the U.S.

This explains why the current sales tax distribution to cities, by the state, is such a critical issue. Cities receive 1% of the sales tax in Utah, and the distribution is determined by 50% point of sale and 50% population. Because Murray represents 1.9% of the state's population and supplies 5% of the collected sales tax, \$4.5 million dollars, collected in Murray, is redistributed to other Utah cities. This is somewhat of a punishment for cities that have become self sufficient with commercial and retail development. It is less costly to provide services for a bedroom community that has little retail development. Commercial areas' roads deteriorate more rapidly, have more traffic accidents, receive more emergency and police calls, and require more costly infrastructure and larger numbers of staffing. In 1983 the legislature implemented the 50/50 distribution and granted cities like Murray a “hold harmless” clause, allowing them

to collect $\frac{3}{4}$ of 1%. The 2006 legislature has now removed that “hold harmless” clause, and Murray will lose an additional \$1.5 million per year to other Utah communities.

What services do your tax dollars buy in Murray? Next month’s article will address city services.